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SUBJECT: CROATIA: AVIAN INFLUENZA UPDATE: DECEMBER 7

REF: A) STATE 216147 B) ZAGREB 1894 AND PREVIOUS

1) SUMMARY: As of December 7, no additional cases of H5N1 have been confirmed in Croatia. The GOC provided a translation of the national pandemic influenza preparedness plan, which is posted on Zagreb's SIPRNet site (<http://www.state.sgov/p/eur/Zagreb/index.cfm>). In response to ref A, Post is providing information on the domestic demand for poultry, which appears to have rebounded, and trade restrictions that impact the export and import of poultry. Post does not believe that Croatian AI-related trade restrictions will impact U.S. poultry product exports. Croatia is a net exporter of poultry products. Of imports, more than ninety percent comes from the EU, Brazil and Argentina. END SUMMARY

#### SNAPSHOT OF CROATIAN POULTRY SECTOR

2) According to Croatian Chamber of Economy statistics, Croatia exported approximately 7,000 tons of poultry worth \$18.5 million in 2004. Approximately 50 per cent of poultry exports by value went to the EU, 45 per cent to Bosnia and the rest to other countries. Croatia is a net exporter in the poultry sector, but imports from the EU, Brazil and Argentina are increasing steadily on the back of high demand from discount retailers.

#### EFFECT OF AI ON DOMESTIC POULTRY MARKET

3) According to Visnja Knjaz at the Croatian Chamber of Economy, poultry producers complained about a drop in domestic sales, although the fact that statistics are compiled with a 90-day lag means that final numbers are not yet available for the period since the discovery of H5N1 in Croatia in October. A representative from Pipo Cakovec, a poultry producer, estimated a 20-30 per cent decline in domestic consumption immediately after avian influenza was identified in Croatia, but says that sales have since recovered.

#### IMPACT OF TRADE RESTRICTIONS ON CROATIAN EXPORTS

4) The EU has narrowed its existing ban on imports of live birds including poultry, wild feathered game meat and unprocessed feathers to the areas within Croatia where avian influenza was isolated (Viroviticko-Podravaska and Osjecki-Baranjska counties). While exports to the EU have not been affected, exports to Serbia and Montenegro (SaM) and Bosnia and Herzegovina (BiH) have been impacted by import restrictions. Davor Popovic, Regional Sales Manager for food processor Podravka, said Serbia and Montenegro continues to ban the import and transit of all poultry products (including canned soup) from Croatia and that Podravka is losing sales in SaM and in Macedonia. Knjaz said that evolving BiH trade restrictions have created uncertainty for Croatian exporters but that Croatian companies are still managing to get their products into BiH.

#### TRADE RESTRICTIONS ON POULTRY IMPORTS

5) Croatia imports most of its poultry from the EU, Brazil and Argentina and none of these countries are affected by import restrictions. However, the GOC did implement import restrictions as a precaution against the threat of AI in October 2005. The GOC restricted the import and transit of live poultry and wild birds, baby chicks, eggs, poultry meat and products, and animal feed containing poultry from: Hong Kong, Indonesia, Japan, South Africa, South Korea, Cambodia, Kazakhstan, China, Laos, Mongolia, Russia, Romania, Thailand, Turkey and Vietnam. This ban does not include heat-treated poultry products.

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